

Arizona Commission for Postsecondary Education

... expanding access and increasing success
in postsecondary education for Arizonans

Annual Report for Postsecondary Education Grant (PEG) Program

Fiscal Year 2015 - 2016



Arizona Commission for Postsecondary Education

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December 1, 2016

The Honorable Doug Ducey, Governor
The Honorable Andy Biggs, President of the Senate
The Honorable David Gowan, Sr., Speaker of the House of Representatives
The Honorable Michele Reagan, Secretary of State
Marilyn Howard, State Documents Librarian, AZ Library, Archives, and Public Records

I respectfully submit the enclosed annual report for the suspended Postsecondary Education Grant (PEG) Forgivable Loan Program on behalf of the Arizona Commission for Postsecondary Education (ACPE).

Established in the 2006 legislative session, the PEG (forgivable loan) Program was designed to provide financial assistance to both adult-returning and traditional-aged baccalaureate-bound students attending a private postsecondary college or university. This program was also intended both to build Arizona's postsecondary education capacity and to meet the challenge of supplying an educated workforce for Arizona's economic growth.

This report includes a historical review of the program and a detailed description of the recipients of the forgivable loan during the last year of available funding (FY 2010). General funds have not been provided for grants or administration of this program since FY 2010. The unfortunate and abrupt termination of funding left more than one thousand PEG students in pursuit of a baccalaureate degree short on funds. It is now time for the Commission to pursue these former students, determine who was unsuccessful, and require those students to pay back these grants if they did not graduate on time.

Fiscal year 2016 was the last year of the PEG program, due to the July 1st, 2016 program expiration. The program was an important state financial aid program.

This report reflects the commitment of the ACPE Commissioners and staff of their mission of *increasing access and expanding success in postsecondary education for Arizonans*. Please contact me with any questions regarding this report at 602.258.2435.

Respectfully Submitted,

A handwritten signature in cursive script that reads "April L. Osborn".

Dr. April L. Osborn, Executive Director
Arizona Commission for Postsecondary Education

cc: Reed Spangler, Senate Education Research Analyst
Morgan Dorcheus, JLBC Fiscal Analyst
Katie Simmons, OSPB Budget Analyst
Sharon Carpenter, House Government and Higher Education Committee Research Analyst

**The Arizona Commission for Postsecondary Education (ACPE)
Postsecondary Education Grant (PEG) Forgivable Loan Program
FY 2015-2016 Annual Report**

Submitted December 1, 2016
Dr. April L. Osborn, Executive Director

Introduction and Description of the Program

The Postsecondary Education Grant (PEG) program, created in the 2006 legislative session, is a student-centered, non-need based forgivable loan designed to financially support and encourage Arizona resident students to attend a private postsecondary baccalaureate degree granting institution in Arizona. The maximum grant is \$2,000 per year for up to four academic years (eight semesters/terms). These funds must be used for tuition, books and fee expenses. Students must obtain a bachelor's degree within five years after the first PEG disbursement. If a student does not obtain a bachelor degree within five years or does not enroll for a period greater than twelve months, the grant becomes a loan that the borrower must repay and enter into a repayment program.

The PEG program was patterned after the successful student-centered Private Postsecondary Education Student Financial Assistance (PFAP) program. Goals for the PEG program include (1) strengthening the private higher education sector, (2) providing cost savings to the State by encouraging residents to attend private colleges and universities over publically funded universities, and (3) increasing the number of baccalaureate degrees in the State of Arizona, thus increasing the tax revenues from a more readily available educated and higher wage-earning workforce.

Historical Review of the Program

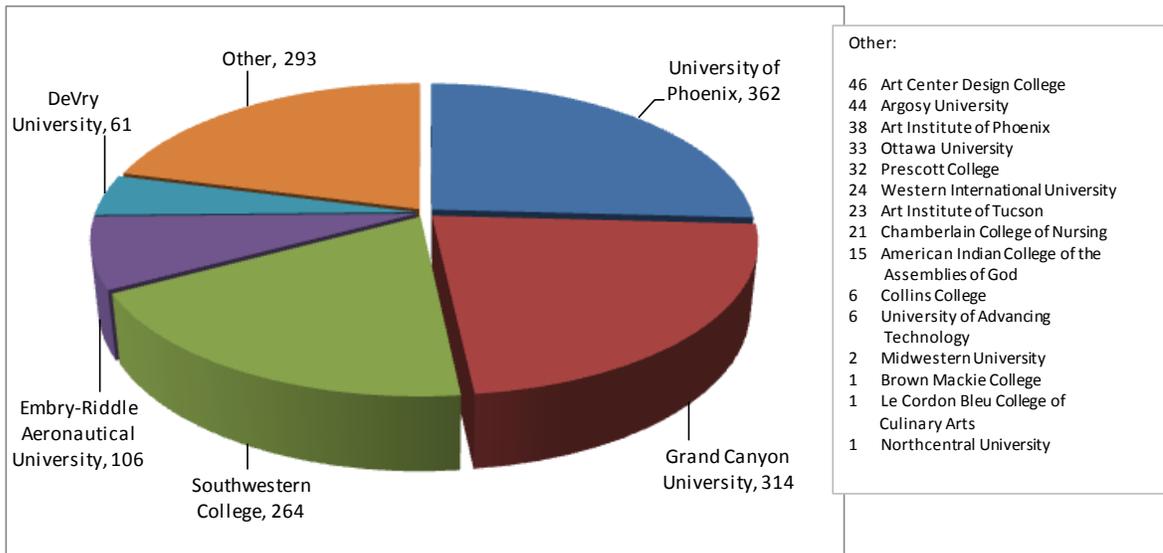
FY 2010 was the last year forgivable loans were awarded in this program. The ACPE awarded 1,400 students for a total of \$2,242,678 and after funds were exhausted, there were an additional 2,627 students on the waiting list. The table below provides an illustration of the students who benefited from this forgivable loan program.

Demographics of Postsecondary Education Grant Recipients 2009-2010

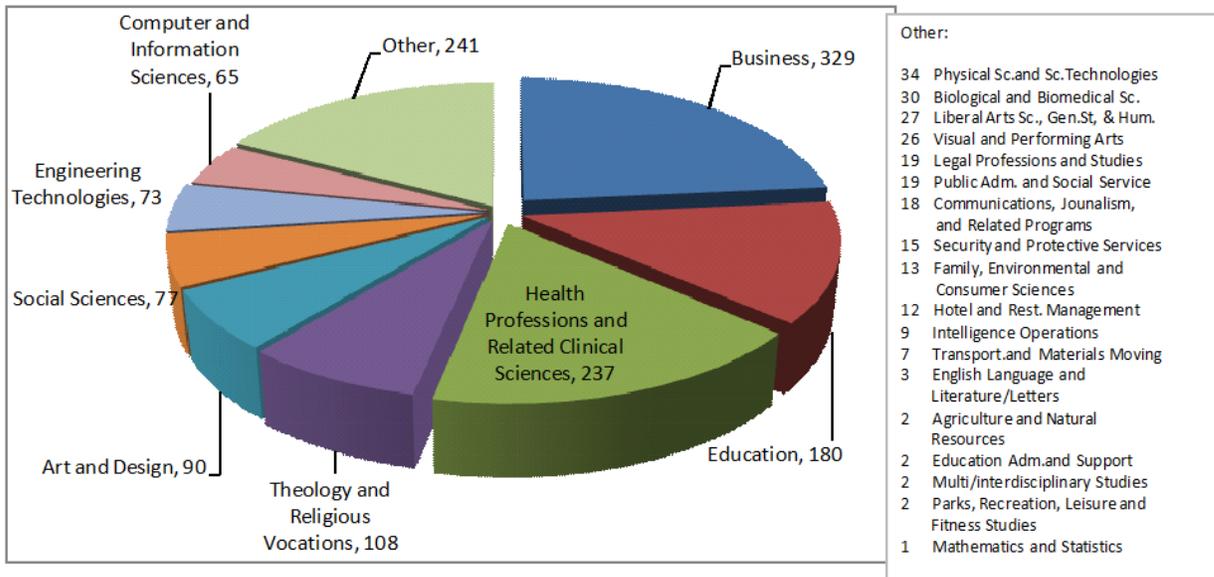
Total Recipients	Students on Waiting List	Initial Recipients	Priority Recipients	Total Disbursement	Average Age of Recipients	Average Family Income	Expected Family Contribution	Average Grant Amount
1,400	2,627	792	608	\$2,242,678	28	\$55,408	\$9,449	\$1,602

The pie charts on the following page illustrate the institutions attended and programs of study (majors) selected by recipients in the PEG program for FY 2010.

Recipients by institution



Recipients by Degree Program



Where Are We Now?

More than 4,000 recipients benefited from the PEG program during its short existence (FY 2006 – FY 2010). The Commission has confirmed that over 3,100 recipients have already graduated from a private college or university and had their loan forgiven. Unfortunately, the PEG program was suspended in FY 2011. The abrupt and unexpected loss of these funds due to the recession suggest there will be higher rates of dropouts and more students requiring additional time to achieve degree completion. According to the promissory note, dropping out or missing the required graduation date would result in a student’s obligation to repay all funds received. It should be remembered that not only was the State experiencing a deep recession but also these

students were suffering under the same circumstances. The disruption of funding may have been the cause of a lack of progress toward a baccalaureate degree.

The Commission staff is researching contracting with third-party vendors and in the meantime has begun the loan repayment process. Steps in the process include inquiry of institutional staff to review records to determine if the student graduated from that institution; locating the borrower using a professional tracking firm to provide contact information; communicating with borrowers regarding repayment status; and establishing a repayment plan. Monitoring of payments would be required for 10 to 15 years. Currently 1093 recipients are in repayment.

Conclusion

The PEG program was an important state student financial aid program. This innovative program was designed to provide accountability and also act as an incentive for students to persist to a degree in a private college or university, thus saving the taxpayers money. Ironically, the expiration of this program occurred at a time when Achieve60AZ is focused on generating greater awareness of the importance of increasing Arizona's level of educational attainment while building support to improve college entry and completion; boost adult education and training; and fuel a pipeline of competitive talent for Arizona's employers. Achieve60AZ's goal cannot be achieved without a significant increase in the number of adult students (25 and older) who earn a degree or credential. Only 42% percent of Arizona residents have completed a 2-year or 4-year degree, or received a non-degree credential (U.S. Census Bureau American Community Survey, 2014 1-year PUMS Person File and the Arizona Board of Regents estimate of the Arizona adult population 25-64 years of age with a certificate but no greater education award, 2016). The PEG program was one of the few student aid programs that served this particular population.

Fiscal year 2016 was the last year of the PEG program, due to the July 1st, 2016 program expiration. The program was an important state financial aid program. The Commission continues to foresee the need of programs such as PEG in the future to help meet State educational goals.